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FOREIGN SERVICE DESPATCH

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SUBJECT: Joint Weeka No. 9 for State, Army and Navy Departments, from Ca...

SUMMARY

President Arbenz' annual state of the nation speech on March 1 provided his clearest public support of Guatemalan Communists to date and overshadowed the effect on the local mind of the opening of the Caracas Conference. The President identified the Communists with the "democratic forces" supporting his program and asserted it would be suicidal to attempt to isolate them. He stated that the existence of a Communist party was permitted by the Constitution and that if even one Communist were denied his "rights" the essence of democracy would be injured. He also said Guatemala would continue to oppose any inter-American measures aimed at "Communist intervention in the hemisphere" which he claimed was a vague term apt to be used as a pretext for intervention.

Guatemalan reactions to the Caracas Conference have been bad from the U.S. viewpoint until Secretary Dulles' speech, which has just been reported here. The Administration press, including the Communist newspaper, earlier this week played up the reluctance of some Latin American delegations to point at Guatemala on the Communist issue and editorially claimed that defeat of any U.S.-backed motion aimed at Guatemala was certain. The independent newspapers gave some prominence to anti-Communist speeches made at Caracas, and complained editorially that the U.S. paid too little attention to economic problems and would be unable to obtain any strong anti-Communist measure.

The economy of the country was reported in the President's address to be on a sound footing. He claimed the Agrarian Reform had already proven a success, said the Government refused to negotiate with the United Fruit Company, and advocated further nationalistic measures to protect the growth of a Guatemalan light industry.

DOMESTIC

President Arbenz Endorses Guatemalan Communists: In a three-hour state of the nation address delivered to the opening session of the Guatemalan Congress on March 1, President Arbenz vehemently

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defended his policy of cooperation with Communists, saying that were he to act on demands that he isolate and persecute "certain workers' and peasants' leaders, citizens and organizations" it "would be equivalent to the suicide of the Guatemalan democratic and revolutionary movement itself."

He added such demands were "strange and contradictory" because the "democratic forces in Guatemala are not something apart from the democratic and patriotic program of those same forces which grouped themselves around my candidacy and which now firmly support my government. To attempt to fight certain democratic and progressive forces without impairing our program is not only paradoxical but also supposes the maximum ingenuousness on our part in agreeing to accept the loss of the base for sustaining the very conquests gained through that program."

As if to defy those who maintain that the Guatemalan Communist party is illegal under the Constitutional proscription of political organizations of a "foreign or international character," Colonel Arbenz said in another part of his speech that a "Marxist" party now participated in Guatemala's political life "because the Constitution does not prohibit, but guarantees to all citizens the right to organization, assembly, and affiliation to the ideas of their sympathy."

He also said that the "line in the sand" between revolutionaries and counter-revolutionaries had grown deeper since he referred to it last year and, in connection with the long-postponed trial of those captured during the Salamá uprising a year ago, suggested the times required that political crimes be treated on a different plane than common crimes.

Opposition Deputy Flees to Salvadoran Embassy: José Luis ARENAS, Opposition Deputy and acting Secretary General of the Partido Unificación Anticomunista (PUA), fled to the Salvadoran Embassy on February 20 under the evident impression that the authorities would seek him as the unnamed Deputy who was alleged in the Government's January 29 White Paper to be implicated in the "international plot" to overthrow the Arbenz regime. The Government, however, gave assurances that he was not being sought and that his Congressional immunity would be respected and, on this basis, the Salvadoran Ambassador refused to keep him as a "refugee," agreeing only that he might stay as long as he wished as a "guest." Arenas has refused to leave the Embassy unless he had protection. Many persons opposed to the Government think that his performance not only lacks courage but is also ridiculous.

Arenas is the third leader of the PUA, the largest Opposition party, to take refuge in foreign missions in the past six months. The first was Luis VALLADARES y Aycinena, who fled to the Nicaraguan Embassy in October, and the second was his nephew Luis BELTRANENA Valladares who fled to the Salvadoran Embassy in January. Both are now in exile.

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Communist-Line Army Officer Elected President of Congress: Major Marco Antonio FRANCO Chacón, 30-year-old Communist-line army officer, was elected President of Congress on March 1 in a close vote. Major Franco, Deputy of the leftist PAR, attended the Budapest meeting of the Communist-front "World Peace Council" last June and is a vice president of the local Communist-controlled "National Peace Committee." Although he was the candidate of the Administration's "National Democratic Front," over 40% of the Administration Deputies broke discipline and, joined by the remaining four Opposition Deputies, voted for a more moderate Army man, Lt. Colonel Mario PAIZ Novales. The vote was 30-25.

Congress also elevated an avowed Communist to a post among its presiding officers by electing Víctor Manuel GUTIERREZ as First Secretary.

FOREIGN AFFAIRS

President Arbenz Opposes Inter-American Action Against Communism: In his March 1 state of the nation speech, President Arbenz made clear his opposition to any inter-American action to curb Communism. He said that his program had clashed with great foreign companies which formed "dominant circles in some American countries, principally in the United States" and this had led to tension in relations with those countries. At first, as he saw it, there had only been baseless propaganda that Guatemala was "Communist", but then they had passed from words to deeds. There had been the anti-Communist resolution proposed last year at the Organization of Central American States (ODECA) and now the Caracas Conference was to consider condemning the 1948 Bogotá and 1951 Washington resolutions against "intervention of Communism in the hemisphere." He found these resolutions worse because it was not clear whether they referred to a doctrine, organization or a state. His Government would not ratify them because they would "mutilate" the rights of thousands of Guatemalans and would encourage foreign intervention in Guatemala's domestic affairs.

First Reactions to Caracas Conference: Before Secretary Dulles made his address, the Guatemalan reactions to the opening of the Caracas Conference were unfavorable from the U.S. point of view. The independent newspapers, from which any pro-U.S. view normally comes, were skeptical that any good would result. El Imparcial thought that the U.S. was too concerned with the Communist problem and not prepared to meet the "just economic demands of Latin America." Impacto said that the U.S. "defeat" at Berlin and its "coming defeat" at Caracas were tragic symptoms of a future lacking in hard and decisive U.S. measures. These newspapers published press comments of anti-Communist statements by Latin American delegations but weakened their effect by running wire service reports that the U.S. was having difficulty in obtaining backing on the Communist issue. The anti-Communist Opposition to the Arbenz regime tended to view any

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result at Caracas short of a forthright indictment of the Guatemalan regime as a sign of U.S. weakness and ineptitude and appeared despondent that no specific attacks against Guatemalan Communists had been launched.

The Administration side, on the other hand, was encouraged by the early results. The official, semi-official and Communist newspapers featured stories that Brazil, the Central American Republics, and other Latin American countries were unwilling to "intervene" in the affairs of any country by discussing any particular case of Communist intervention. They reported ex-President Juan José AREVALO's current visit to Mexico and rallies in favor of Guatemala in Chile and New York, claiming these as proofs that the peoples were behind Guatemala. They freely predicted defeat of any U.S. "interventionist" attempt.

These reactions were registered before Secretary Dulles' speech was reported here on March 4-5, and it remains to be seen how this will affect the local view of the Conference.

ECONOMIC

President Claims Agrarian Reform is a Success, Projects Industrial Development: In his state of the nation speech, President ARBENZ claimed that the Agrarian Reform Law of 1952 was already proving a success despite Opposition prognostications that it would be ruinous, and gave the Congress economic data purporting to show that the economy was sound and expanding. He cited cases in which some peasants who benefited by the Agrarian Reform Law had achieved a $1,000 annual income for the first time and had bought such things as radios, new shoes, and perfume; reported that wages had gone up slightly and the agricultural production had increased; and described a favorable balance of trade, a high level of foreign reserves, and a relatively low national debt.

Touching on foreign investment, the President said Guatemala had refused to negotiate a new contract with the United Fruit Company and Guatemala's doors were not open to "monopolistic and voracious investment."

Looking forward to the future, the President urged a protectionist program for the development of a light national industry. Among his recommendations were the ~~speedy~~ establishment of an agency to regulate foreign trade and the denunciation of "those commercial treaties burdensome for national industry and those which impede a diversification of our foreign trade." This last appeared close to the current Communist demand for the denunciation of the 1936 U.S.-Guatemalan Trade Agreement and Guatemala's obligation not to export certain items to the Soviet orbit.

A preliminary analysis of the President's report on the economy left little doubt, as long as coffee prices are at their present

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high level, that the Guatemalan economy was basically prosperous. However, the report distorted the situation by omitting factors which might have weight if there were any substantial downward turn in the coffee market, among them the very low level of investment in agriculture and industry since the Agrarian Reform Law was passed; the poor employer-employee relationship which tends to discourage economic expansion, and the sizeable recent increase in the national debt arising from the Agrarian Reform and the Economic Development program. Moreover, the examples of prosperous peasants he selected were from among those who received developed coffee lands from the state farms and were not typical of the thousands who were given only undeveloped land.

PSYCHOLOGICAL

Management of Anti-Communist Radio Programs: In further episodes in the government's harassment campaign against anti-Communist publications and radio programs, the authorities this week used legal pretexts to deny an exit visa for Oscar CONDE, Director of the gossipy "Radio [illegible]" program, to attend the Caracas Conference and ordered the Radio Continental station temporarily off the air. The pretext in Conde's case was that he had solicited funds for his trip over the air without a license and that a case against him on this score was pending in the courts. In the case of Radio Continental, the authorities held that they had not properly been notified of the appointment of a new Manager by the owner, Roberto VIZCAINO Rubio, who was recently arrested and thrown across the Honduran border (Weeks 4).

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